



Kentucky Retirement Systems
Investment Securities Lending Guidelines
Approved May 2011

This document sets forth the investment policy for the securities lending program.

I. Objectives

To generate incremental income by lending securities to qualified borrowers. Borrowers provide collateral in exchange for the right to borrow securities. Collateral shall follow the system's guidelines as set forth in the Securities Lending Authorization Agreement. Total return from securities lending should meet or exceed RMA Lending Composite on an annual basis.

II. Responsibilities and Delegations

The KRS Investment Committee shall have the following responsibilities and duties:

1. Approving the securities lending guidelines.
2. Reviewing the securities lending program performance annually with the Chief Investment Officer and the KRS staff.

The KRS investment staff duties include, but are not limited to, the following:

1. Reporting to the Investment Committee annually about the performance and compliance of the securities lending program.
2. Recommending guideline changes to the Investment Committee as needed.
3. Reviewing monthly reports from the Lending Agent.
4. Reviewing and evaluate the quarterly reports from the Lending Agent. Furnish the quarterly reports to the Investment Committee.
5. Monitoring the Lending Agent's compliance with the securities lending guidelines.

The Lending Agent's duties include:

1. At least annually or more frequently if requested by KRS, the Lending Agent shall present the Chief Investment Officer with a list of potential borrowers and the applicable credit exposure.
2. The Lending Agent shall immediately notify the Chief Investment Officer and KRS staff of any violation of the securities lending guidelines.
3. The Lending Agent shall provide a quarterly report showing: historical net earnings; volume on loan, loanable base, percentage of loan, gross spread, net earnings and gross basis point return by class; comparable gross basis point return by class with RMA Lending Composite (RMA), The Northern Trust (TNT) and KRS; detailed performance comparison with RMA, TNT and KRS of percentage on loan, spread and gross basis point return by class, and; other information as reasonably requested by KRS.

A. Lending and Collateral Guidelines

The collateral guidelines are set forth in the Securities Lending Authorization Agreement. The Lending Agent shall follow these guidelines explicitly in conjunction with these policies. If, at anytime, a violation occurs, the Lending Agent shall immediately notify the Chief Investment Officer and KRS staff by e-mail; together all parties shall determine the action or actions needed to bring the portfolio back into compliance.

Signatories

As Adopted by the Investment Committee

Date: May 3, 2011

Signature: Tommy Elliott
Tommy Elliott
Chair, Investment Committee

As Adopted by the Board of Trustees

Date: May 19, 2011

Signature: Jennifer Elliott
Jennifer Elliott
Chair, Board of Trustees